



CabinetOffice

Accelerating Government Procurement

Management Summary of the findings of a 'lean' study to investigate waste and inefficiencies in government's procurement process

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CONTENTS

THE REPORT

1. Introduction	3
2. Summary of Findings	3
3. Scope and Conduct of the Review	4
4. Findings	5
5. Conclusion	7
6. Current action by ERG	8

1. Introduction

On 1st November 2010, the Minister for the Cabinet Office, Francis Maude, announced a ‘Lean Review’¹ to uncover wasteful practices and unnecessary complexity in the procurement process and to suggest actions to rectify them. The objective was to examine how the procurement process can be accelerated within central government to make doing business with government faster and cheaper for buyer and supplier. The Review was undertaken over a 6 week period and concluded on 14th December 2010.

The Review was conducted as a ‘partnership’ between government and industry involving ‘lean’ practitioners from Unipart Expert Practices (UEP) and members of the HMRC Pacesetter unit which is an established ‘lean’ team within HMRC, working with the Efficiency and Reform Group (ERG) within the Cabinet Office. This partnership has demonstrated the real benefits of industrial expertise working alongside the public sector to bring best practice from the private sector into the working practices of a critical aspect of government business, namely procurement.

The Review team worked closely with the Department of Work and Pensions (DWP) and the Foreign and Commonwealth Office (FCO) to investigate opportunities within these departments that could be applied on a wider scale across Government.

This report presents the findings from the Lean Review and sets out the implementation programme to apply ‘lean’ thinking and techniques to central government procurement.

2. Summary of Findings

Using data gathered from procurement professionals and business and policy officials across government and a number of government’s key suppliers, the Review identified that there is significant potential to:

- **reduce turnaround time** by up to 70% on competitive dialogue procurements (circa 430 to 130 working days) (dependent on size, complexity and risk)
- **reduce costs across those suppliers** involved of £3.5m per competitive dialogue
- **reduce government resource and processing costs** by £400k per competitive dialogue

¹ Francis Maude, Minister for the Cabinet Office announced the Lean Study at the Summit for Small Business see <http://www.cabinetoffice.gov.uk/news/plans-open-government-small-businesses>

Accelerating Government Procurement – Lean Review

This report describes the detailed findings that underpin these potential savings and provide the basis for improving government procurement.

3. Scope and Conduct of the Review

The Review investigated major, complex procurements utilising the “competitive dialogue” procedure and analysed all stages of the procurement process from policy requirement through to contract award.

Given the short timescale of the Review and the breadth of scope undertaken, the project team used an innovative approach in the use of standard ‘lean’ tools and techniques. The team considered two perspectives on the procurement process; one being to understand the process itself, and the second to understand the effectiveness of interactions with the supplier community during the procurement. The Review was undertaken using ‘visual management’ as the principal way of working for the team, which provided a visible and accessible environment for the team as well as the many interested parties and stakeholders who contributed to the Review.

Initial workshops sought to understand the processes for pre-procurement and procurement phases at a high level by mapping out the Suppliers, Inputs, Processes, Outputs, Needs and Customers (SIPONC).

A Value Stream Map was created to represent the ‘theoretical’ procurement process using guidance from ERG/HMT, the EU procurement regulations and Cabinet Office sources. This Map was used as a comparison point against department specific Value Stream Maps that were developed with the procurement teams from DWP and FCO.

A key element of the engagement with suppliers during the Review was a workshop facilitated by Intellect² with 23 key suppliers to government, including some SMEs. The workshop provided the main input for mapping the procurement process from a supplier perspective and identifying “what good looks like”. Further 1:1 interviews were held with 11 of these suppliers to explore some of the detail on both good and bad procurement practices seen in government, and 1:1 interviews were conducted with 4 additional SMEs.

² Intellect is the leading trade association which serves to represent its members in the UK technology industry.

4. Findings

The detailed findings of the Review have been grouped into five key themes that are summarised in the following table and described in the sections below:

<p>Process Design and Management</p>	<p>There is excessive waste built into the existing procurement process from inception through to award:</p> <ul style="list-style-type: none"> • excessive amounts of guidance with too much variation, duplication and confusion over different terms • elongated timescales both pre-OJEU and during the procurement • serial-processing, inefficient engagement with suppliers • input-based specifications vs outcomes • risk aversion
<p>Bureaucracy</p>	<p>There is endemic bureaucracy in govt procurements leading to excessive levels of approvals and governance</p>
<p>Capability</p>	<p>There is insufficient capacity of capable senior procurement resources with experience of complex projects, a lack of commercial in-house legal advice, and over-reliance on external advisors</p>
<p>Pre-OJEU readiness</p>	<p>The OJEU process is commenced too quickly and with insufficient preparation and planning beforehand</p>
<p>Mis-use</p>	<p>Poor selection of procurement route is leading to elongated procurements and additional costs for government and suppliers</p>

4.1 Process Design & Management (of the Competitive Dialogue process)

There is a lack of accessible process management information which makes it very difficult to understand whether improvements in guidance have a positive impact on process performance. For example, despite 1124 pages of guidance in one department alone, there is little evidence of effective process management. Improvements in practices are further hampered by lack of clear, accessible and assured, process standards. The result is that ‘best practices’ are not being effectively shared, opportunities for consolidated improvements are missed, and the process is being applied inconsistently.

The Competitive Dialogue process, by its nature, requires extensive interactions with suppliers. These interactions are currently managed through a mixture of document exchanges and face to face discussions. The current process design results in each procurement costing suppliers an additional £1.6m when compared with private sector equivalent procurements.

The current process design and management results in duplicated requests for information, suppliers being engaged for an unnecessarily long time and SMEs being excluded as distinct requirements are being rolled up into larger procurements. This results in avoidable resource costs to suppliers and unnecessary barriers to innovation being introduced.

The combination of insufficient capacity of capable senior procurement resources with experience of complex projects, a lack of commercial in-house legal advice, and over reliance on external advisors is all symptomatic of risk aversion.

4.2 Bureaucracy

Central and departmental approvals processes seek to avoid unnecessary spend and avoid challenges from unsuccessful competing suppliers. There are multiple levels (in some cases up to 6 different approvals board) and types of approvals, with approvals boards often having unclear and duplicated remits. The result is increased turnaround times.

4.3 Capability

Many procurement professionals across government lack process capability and market knowledge to run the process effectively based on existing and future demands. External resources have been used to supplement internal capability on procurement projects.

Accelerating Government Procurement – Lean Review

Government procurers are predominantly focused on procurement within their own department, with little opportunity for wider sharing of best practice, resulting in incurred costs for government and suppliers and a negative impact on turnaround times.

Government departments currently lack the legal capacity required around commercial matters and contract management to sufficiently advise the process, resulting in increased costs for government through over reliance on external legal support.

4.4 Pre-OJEU Readiness

There is a lack of pre-OJEU upfront planning, transparent purpose and clearly agreed timescales prior to the OJEU notice publication. It is normally a mandatory requirement that all large procurements are publicised on the Official Journal of the European Union (OJEU). As there is a mandatory time period between this and the next phase, there is a sense of ‘rush to OJEU’ which eventually results in increased turnaround times and therefore increased supplier costs.

4.5 Mis-use

Evidence has shown that there is a general mis-use of the Competitive Dialogue procurement route. In almost 30% of instances analysed, this more in-depth procurement route has been used when it is neither necessary nor helpful which is leading to elongated procurements and additional costs for government and suppliers.

5. Conclusion

This Review has identified significant opportunities to reduce turnaround times, resourcing and processing costs on complex government procurements, whilst being able to encourage and nurture innovation through the increased involvement of SMEs.

To achieve these benefits will require radical changes in the approach to planning procurements, the upskilling of procurement and commercial professionals, the allocation of resources to complex procurement projects, and the effective sharing of ‘best practices’ across government departments.

5.1 Potential Future State

As a result of the investigation and analysis of data and processes of government procurement, the Review team has identified the opportunity to develop and implement an improved, more streamlined and simplified procurement process that embodies the principles and approaches from a number of proven techniques:

- Lean Project Management
- Visual Management
- Continuous Flow
- Built in Quality
- Standard Work

The suggested solutions detailed in the attached Diagnostics Report (see Appendix B) will be input to ERG's forward planning process to take forward the findings from the Review and implement new processes around government procurement.

6. Current Action by ERG and Departments

The commitment for departments to publish procurement timescales has already gone live and will bring much needed visibility of current timescales.

ERG has begun detailed planning in four distinct but inter-related areas of work based on the findings from this Review:

- Developing the new 'lean' sourcing process for government procurement, using as a basis the new lean 'future state' process map drafted as part of the Review. This to include clear operating procedures for creating the right management environment for 'lean' procurement projects to operate within.
- Building the information, tools and training necessary to underpin capability development across government. This to provide the information and support for the adoption of the new process including training modules delivered through classroom-style and on-the-job working in a live environment – leading to a "license to source". This is to be built on the

Accelerating Government Procurement – Lean Review

HMRC PaceSetter unit and their existing suite of training and tools and will also involve the professional procurement institute CIPS.

- Implementing the new process on Pathfinder Procurement Projects by identifying the pipeline of government's forthcoming sourcing projects and selecting those that will provide the right opportunities for testing and refining the new process and the approach.
- Resolving issues affecting all procurements. This to focus on (i) 'blockages' in the current system such as streamlining lengthy approvals process by working with colleagues in HMT and (ii) identifying aspects, such as publishing procurement timetables, that help to incentivise departments to achieve shorter timescales and good quality outcomes from the procurements.

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